

October 22, 2013

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: EB-2013-0365 – Union Gas Limited – 2014 Rates Application

Please find attached an application from Union Gas Limited ("Union") seeking changes to Union's regulated gas distribution, transmission and storage services effective January 1, 2014.

Union's supporting evidence will be filed at a later date. The application has been filed in advance of the evidence to expedite the application process.

If the proposed rate changes are approved by the Board the total bill increase for a typical Southern Operations residential customer consuming 2,200 m³ per year would amount to \$1 - \$2 per year. For a typical Northern or Eastern Operations customer consuming 2,200 m³ per year, the total bill decrease would amount to \$16 - \$20 per year.

Union seeks the Board's issuance of the final Rate Order by November 30, 2013 to ensure the implementation of 2014 rates by January 1, 2014. In the event that the Board does not issue a rate order by November 30, 2013 for implementation by Union on January 1, 2014, Union seeks an Order of the Board declaring Union's rates in effect as of December 31, 2013, interim as of January 1, 2014. It will be Union's proposal in this matter to deal with any retrospective impact of the delayed implementation through a rate rider for general service rate classes and a onetime adjustment for all other rate classes, which will recover any changes in rates ultimately approved by the Board's order with effect from January 1, 2014.

Yours truly,

[Original signed by]

Chris Ripley
Manager, Regulatory Applications

c.c.: EB-2013-0202 Intervenor
Crawford Smith, Torys

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board
Act, 1998, S.O. 1998, c.15 (Sched. B);

AND IN THE MATTER OF an Application by
Union Gas Limited, pursuant to section 36(1) of the
Ontario Energy Board Act, 1998, for an order or
orders approving or fixing just and reasonable rates
and other charges for the sale, distribution,
transmission and storage of gas as of January 1,
2014.

APPLICATION

1. Union Gas Limited (“Union”) is a business corporation incorporated under the laws of the province of Ontario, with its head office in the Municipality of Chatham-Kent.
2. Union conducts both an integrated natural gas utility business that combines the operations of distributing, transmitting and storing natural gas, and a non-utility storage business.
3. Union was an applicant in a proceeding before the Board for an order of the Board approving or fixing a multi-year incentive rate mechanism (“IRM”) to determine rates for the regulated distribution, transmission and storage of natural gas. The Board assigned EB-2013-0202 to Union’s application.
4. Union filed an IRM application with the Board on July 31, 2013. The application was supported by a comprehensive Settlement Agreement (the “Agreement”) between Union and stakeholders. The stakeholders party to the Agreement were parties who participated in Union’s 2008-2012 IRM proceeding and in the annual rate proceedings throughout the last IRM term. The proposed IRM parameters found in the Agreement were further supported by evidence and reports. The Board approved the Agreement on October 7, 2013.

5. Union's Board-approved Agreement sets out a multi-year incentive ratemaking mechanism ("IRM") for calendar years 2014 to 2018. The framework includes a price cap index ("PCI"), where rates are a function of: an inflation factor ("I"), a productivity factor ("X"), certain non-routine adjustments (Z factors), certain predetermined pass-throughs (Y factors), and an adjustment for normalized average consumption ("NAC") to reflect changes in consumption in the General Service rate classes.
6. The IRM approved for Union contemplates the filing by Union of an application for Z factor adjustments, structural rate design changes or the pricing of new regulated services in a time frame that will enable these issues to be resolved in sufficient time to be reflected prospectively in the next year's rates. This requires the filing of a draft Rate Order with supporting documentation which reflects the impact of the PCI pricing formula so that a final Rate Order will be issued for implementation by January 1, 2014.
7. Union hereby applies to the Board, pursuant to section 36 of the Act and pursuant to the annual rate-setting process underlying the IRM in the Agreement, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas effective January 1, 2014.
8. Union further applies to the Board for all necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.
9. This application is supported by written evidence that will be filed with the Board and may be amended from time to time as circumstances may require.
10. The persons affected by this application are the customers resident or located in the municipalities, police villages and Indian reserves served by Union, together with those to whom Union sells gas, or on whose behalf Union distributes, transmits or stores gas. It is impractical to set out in this application the names and addresses of such persons because they are too numerous.

11. The address of service for Union is:

Union Gas Limited

P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7M 5M1

Attention: Chris Ripley
Manager, Regulatory Applications
Telephone: (519) 436-5476
Fax: (519) 436-4641

- and -

Torys
Suite 3000, Maritime Life Tower
P.O. Box 270
Toronto Dominion Centre
Toronto, Ontario
M5K 1N2

Attention: Crawford Smith
Telephone: (416) 865-8209
Fax: (416) 865-7380

DATED October 22, 2013.

UNION GAS LIMITED

[Original signed by]

Chris Ripley
Manager, Regulatory Applications